

BoN MPC Meeting

June 2024

0.0005	4.85%
0.1003	13.04%
0.0001	50.00%
0.0003	14.29%
0.0005	12.50%

Key Focus Points:

- The MPC **left the repo rate unchanged** at 7.75%.
- The BoN left its GDP growth forecast for 2024 unchanged at 3.7%.
- The central bank forecasts inflation to average 4.9% in 2024.
- The preliminary stock of international reserves stood at N\$55.6 billion on 31 May, enough to cover 3.9 months of imports.

Macro Backdrop

The Bank of Namibia (BoN) left its **real GDP growth forecast for 2024 unchanged at 3.7%**. The MPC announcement noted that domestic economic activity grew during the first four months of the year, and was driven by the mining, electricity generation, wholesale and retail trade, tourism, communication, and transport sectors. Domestic downside risks to the growth forecast include drought and water supply interruptions, particularly at the coastal towns, according to the BoN.

PSCE growth remains subdued, coming in at 1.6% y/y in April and averaging 1.7% over the first four months of the year.

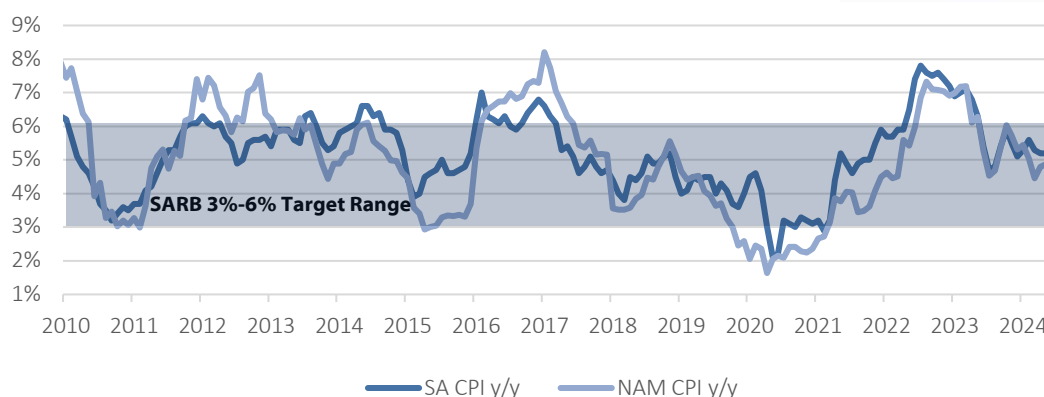
The preliminary stock of international reserves stood at N\$55.6 billion on 31 May, which is moderately higher than the N\$54.3 billion balance on 31 March. The BoN attributes the increase to higher SACU receipts and customer foreign currency placements. At its current level, the **stock of international reserves is estimated to cover 3.9 months of imports** and thus remains sufficient to support the currency peg.

Inflation

The Namibian annual inflation rate ticked up to 4.9% in May, from the 4.8% recorded in April, as five of the twelve basket categories recorded a quicker inflation rate in May than in April. Supply side factors continue to be the driver of domestic inflation, with goods inflation (of 6.2%) trending significantly higher than services inflation (of 2.9%).

The central bank continues to forecast that the **inflation rate will average 4.9% in 2024**. This is in line with IJG inflation model, which currently forecasts the domestic inflation rate to average between 4.3% and 5.2% in 2024.

Namibia vs South
African CPI
(y/y)

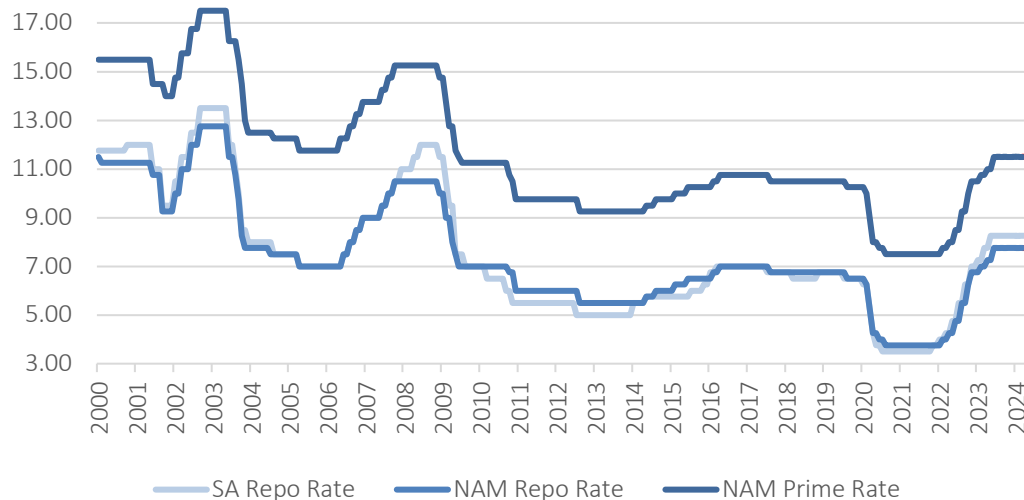


Source: Namibia Statistics Agency, Statistics South Africa, IJG Securities

4.85%	0.0005	4.85%
13.04%	0.0003	13.04%
50.00%	0.001	50.00%
14.29%	0.0003	14.29%
12.50%	0.0005	12.50%

Interest Rates

Historical Policy Rates (%)

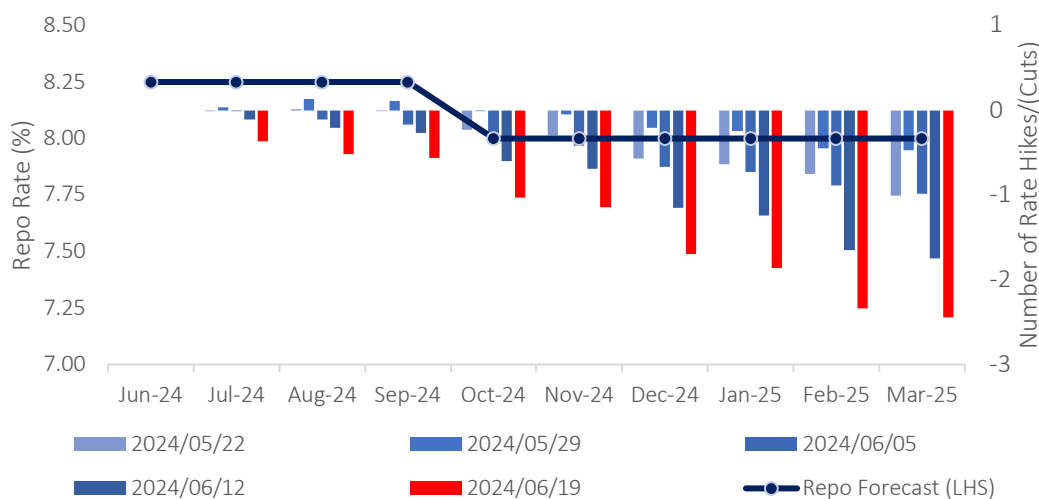


Source: Bank of Namibia, South African Reserve Bank, IJG Securities

The **decision to leave the repo rate unchanged at 7.75%** leaves the 50bps spread between Namibia and South Africa's rates in place. Responding to a question from the media, the governor noted that they have seen N\$12.2 billion worth of capital outflows to South Africa year-to-date. The same period last year saw about N\$9.9 billion worth of outflows. The governor however added that they "are not too concerned about it at this point".

The current pricing of the Forward Rate Agreement (FRA) curve indicates that the market **continues to price in a single 25bp rate cut in South Africa in 2024**. Consumer prices in South Africa rose by 5.2% y/y in April. The SARB will only cut rates once they are convinced that the CPI rate will sustainably trend around the mid-point of the 3-6% target range.

Implied Probability of Rate Hikes/(Cuts) over time (SARB)



*The columns indicate the number of 25bp hikes expected for a given month as at the date indicated in the legend (RHS).

Source: Bloomberg, IJG Securities



0.0005	4.85%
0.0003	13.04%
0.0001	50.00%
0.0003	14.29%
0.0005	12.50%

Our Take

The MPC's decision was expected, given that the SARB left rates unchanged at their May MPC meeting, and that Namibia's repo rate is already 50bps lower than South Africa's. Capital outflows to South Africa have been relatively high in recent months but as noted earlier, the MPC is not concerned about it at this stage. Given the current rate differential, we view it as unlikely that the BoN will cut rates ahead of the SARB.

IJG Holdings

Mathews Hamutenya	Group Chairman		Tel: +264 (61) 256 699
Mark Späth	Group Managing Director	mark@ijg.net	Tel: +264 (81) 958 3510
Helena Amutenya	Group Financial Director	helena@ijg.net	Tel: +264 (81) 958 3528
Leonie de Klerk	Group Compliance Officer	leonie@ijg.net	Tel: +264 (81) 958 3533
Tashiya Josua	Financial Manager	tashiya@ijg.net	Tel: +264 (81) 958 3511
Benita Windisch	Financial Manager	benita@ijg.net	Tel: +264 (81) 958 3539
Lynnet Sasele	Financial Accountant	lynnet@ijg.net	Tel: +264 (81) 958 3536
Counney Kemp	Group PA	madeline@ijg.net	Tel: +264 (81) 958 3500

IJG Securities

Eric van Zyl	Managing Director Designate	eric@ijg.net	Tel: +264 (81) 958 3530
Leon Maloney	Equity & Fixed Income Dealing	leon@ijg.net	Tel: +264 (81) 958 3512
Maria Amutenya	Settlements & Administration	maria@ijg.net	Tel: +264 (81) 958 3515
Danie van Wyk	Head: Research	danie@ijg.net	Tel: +264 (81) 958 3534
Angelique Bock	Sales and Research	angelique@ijg.net	Tel: +264 (81) 958 3543
Zane Feris	Sales and Research	zane@ijg.net	Tel: +264 (81) 958 3543

IJG Wealth Management

Andri Ntema	Managing Director	andri@ijg.net	Tel: +264 (81) 958 3518
Wim Boshoff	Head Wealth Manager	wim@ijg.net	Tel: +264 (81) 958 3537
Aretha Thiar	Wealth Manager	aretha@ijg.net	Tel: +264 (81) 958 3540
Katja Greeff	Wealth Manager	katja@ijg.net	Tel: +264 (81) 958 3538
Maunda Rautenbach	Head of Operations	maunda@ijg.net	Tel: +264 (81) 958 3529
Lorein Kazombaruru	Wealth Administration	lorein@ijg.net	Tel: +264 (81) 958 3521
Francoise van Wyk	Wealth Administration	francoise@ijg.net	Tel: +264 (81) 958 3513
Calvin Mwinga	Wealth Administration	calvin@ijg.net	Tel: +264 (81) 958 3514

IJG Capital

Jakob de Klerk	Managing Director	jakob@ijg.net	Tel: +264 (81) 958 3517
Mirko Maier	Business Analyst	mirko@ijg.net	Tel: +264 (81) 958 3531
Lucas Martin	Business Analyst	lucas@ijg.net	Tel: +264 (81) 958 3541
Peterson Mbise	Business Analyst	peterson@ijg.net	Tel: +264 (81) 958 3532
Fares Amunkete	Value Add Analyst	fares@ijg.net	Tel: +264 (81) 958 3527

IJG Investment Managers & IJG Unit Trusts

Chidera Onwudinjo	Assistant Portfolio Manager	chidera@ijg.net	Tel: +264 (81) 958 3523
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IJG Advisory

Herbert Maier	Managing Director	herbert@ijg.net	Tel: +264 (81) 958 3522
Jolyon Irwin	Director	jolyon@ijg.net	Tel: +264 (81) 958 3500
Hugo van den Heever	Corporate Advisor	hugo@ijg.net	Tel: +264 (81) 958 3542

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4th Floor, 1@Steps, C/O Grove & Chasie Streets, Kleine Kuppe
P O Box 186, Windhoek, Namibia, Tel: +264 81 958 3500, www.ijg.net

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